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U. S. SECURITIES GOVERNMENT FINANCE ECONOMIC AND FINANCIAL CONDITIONS

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War and Peace Prospects.

THE despatch of United States troops into Mexico in pursuit of Villa and his band has created another acute situation in our relations with that country. Villa's murderous attack upon the town of Columbus is best explained as a desperate attempt to provoke intervention by the United States in hopes that the situation resulting would be more favorable to him. The masses of the Mexican people may be easily deceived as to the purposes for which United States soldiers are in their country, and there are various factions in Mexico which would be pleased to have more trouble develop for Carranza, whatever the pretext. Hopes for a restoration of order and industry in Mexico have been so often dashed, that it is impossible to presume that when one troublesome factor is eliminated, others will not arise. A few months ago, there was prospect for a good revival of trade with that country, but the last alarm has caused a more general exodus of Americans from the interior districts than any previous one.

During the past month another European state has been involved in the war, Portugal, by the seizure of German merchant ships in her harbors, having provoked a formal declaration by Germany. The Portuguese government has stated that its action was taken in response to a call upon it by the British government, in pursuance of the terms of a long-standing treaty.

Rumors of peace negotiations are to be expected with increasing frequency as the war wears on, but as yet there seems to be little reason to believe that the belligerent governments could meet with probability of reaching an agreement. The Allies would entertain no proposal based upon the present occupation of territory by the German armies, as they hold that their command of the sea is of more importance, as affecting the final outcome of the war, than the German successes on land. It is improbable that either side would be satisfied to end the war now in a draw. Russia is expectant of substantial results from its advance on Constantinople through Asia, and if the events of the coming summer on the western front should be favorable to the Allies, the great coal and iron deposits of Lorraine would probably become the chief prize of the contest. The conditions are not favorable to early peace.

Sinews of War.

The belligerent governments are all busy with plans for raising money, both by taxation and loans. There has been no large British internal loan since last June and the proceeds of that were exhausted some months ago. Since then the Treasury has been supplying its needs by the sale of five year Exchequer bonds and Treasury bills running 3, 6, 9 and 12 months, the bills being the main resource. The amount of these outstanding March 1st, was a little above $2,000,000,000. Three months bills now draw 4½ per cent., six and nine months bills 4¾ per cent. and twelve months bills 5 per cent. The British fiscal year ends March 31st and the total government expenditures for the year just closed, including the civil establishment and loans to Allies, is nearly, if not, quite $8,000,000,000, but of this approximately $2,000,000,000 was advanced to the country's colonies and Allies. It is supposed that a new internal loan will be brought out before long, probably at five per cent.

The British government has acquired by purchase from the British public, in exchange for its own five year five per cent. Exchequer bonds, a large amount of American securities with which it will be able to finance its purchases in this country and support the exchange rate. The total amount of securities so obtained is unknown, but the success of the plan is said to have exceeded the expectations of its promoters.

The revenues of the British government under the war taxes are very large. The peace revenues were about $1,000,000,000 per year, but for the year just closed the total income from taxation has been about $1,700,000,000, and for the coming year it is expected to reach $2,200,000,000, not counting new taxes which may be levied. The excess profits tax has scarcely begun to show results, and the proceeds of this may carry the income above all estimates.

The cessation of gold exports to the United States has enabled the Bank of England to gain about $20,000,000 of gold since January 1st, and at approximately $275,000,000 the stock is only about $6,000,000 below what it was a year ago, notwithstanding the large exports to the United States and elsewhere during that time. The great production of gold within the British Empire serves it well at this time. The closing of the diamond mines in Africa has given a larger supply of labor

to the gold mines, and the African production is now at the rate of about $200,000,000 per year. The Canadian production rose last year to $18,000,000, and the total output in the British possessions is close to $300,000,000. The Bank of England reserve is now about 28 per cent., and the reserve against Exchequer notes about the same. Its public and private loans are considerably less than a year ago, owing to the large payments upon premoratorium paper.

The German government has closed the books on its fourth loan, and subscriptions are officially stated to be in excess of 10,600,000,000 marks, or about $2,600,000,000. The third loan, brought out last fall, realized about $3,000,000,000, and the Secretary of the Treasury announces that the total subscriptions for all the war loans aggregate 36,300,000,000 marks, or about $9,000,000,000. In presenting his annual budget, with certain proposals for new taxes to the Reichstag, a few days ago, he stated that the war expenditures in December exceeded 2,000,000,000 marks, about $500,000,000, but had since been running lower, and now were scarcely greater than a year ago. He estimated that the new taxes would bring in 10,000,000 marks monthly. The gold reserve of the Reischbank is about 39 per cent. of its note circulation and 30 per cent. against notes and deposits. The note circulation is about $400,000,000 above a year ago, and loans about the same.

France has resumed the sale of 5 per cent. defense bonds, suspended since November last. The Minister of Finance states that the war expenditures in 1915 were 22,000,000,000 francs, or approximately $4,400,000,000, and the total military expenditures since the war began have been 37,000,000,000 francs, or about $7,400,000,000. For the second quarter of 1916 the estimate calls for $17,800,000 per day. The Bank of France maintains its gold holdings at about $1,000,000,000, which is about $150,000,000 larger than a year ago, notwithstanding several large shipments to the Bank of England in the meantime. Its note circulation is about $700,000,000 higher than a year ago, the percentage of reserve to circulation 33 1/3 per cent. and percentage to circulation and reserve about 30 per cent. Its holdings of premoratorium bills have been reduced nearly one-half since a year ago, but its advances to the State on account of the war are up $400.000.000 in a year and now stand at about $1,000,000,000.

The borrowings of Russia from the beginning of the war to January 1, 1916, were a little above $4,000,000,000, and the war expenditures are now at the rate of about $500,000,000 per month. The gold reserve of the Bank of Russia has been increased from the circulation and by the product of the mines to about $1,180,000,000, or about 40 per cent. of the outstanding note circulation and 32 per cent. against notes and deposits.

Enforcing Economy.

The British government is moving by cautious steps to put into effect the much-talked-of measures for reducing the importation of luxuries and non-essential goods. The government is evidently embarrassed by its wish not to legislate against the products of its Allies, for it receives luxuries chiefly from France. Most of its importations from other parts of the world are of food and materials required by its industries, which cannot be dispensed with. The imports from the United States are mainly of this character.

It is particularly desirable to reduce the consumption of imported goods, for two reasons: 1st, the adverse trade balance must be settled in gold or securities, and is troublesome; and, 2nd, there is a scarcity of shipping, which increases the cost of all necessaries. The British officials, however, lay scarcely less emphasis upon the necessity for reducing the consumption of home-made goods, in order that prices may be held down, that current income may be more largely diverted to the government loans, and that labor may be released for the war industries and for enlistments. Upon this eminently practical point, the public appears to be very obtuse. The withdrawal of men from the industries reduces the output of goods, and the only way to meet a necessary reduction of supply is by reducing consumption. The natural remedy is a rise of prices, which under ordinary conditions either brings out a larger supply or goes far enough to curtail the demand. But in this case the British government does not want a larger supply of the non-essentials, and, unfortunately, the British public does not see the necessity of reducing consumption. Instead of doing so, it clamors for higher wages, and higher prices all around, so that it may continue to pay the higher prices. But this is like a cat chasing its own tail; higher prices cannot make a short supply go around. The only effect is to raise the entire level of costs upon which the people live and business is done and the war is carried on, and compel increased borrowings by the government. Mr. Montague, Financial Secretary to the Treasury, has recently discussed this subject as follows, in the House of Commons:

> There seemed to be an opinion that these huge deficits could be found out of the accumulated wealth of the country. But they could not tax capital which could not be realized, and much accumulated wealth was in forms which could not be converted except in so far as the property represented by it could be sold to foreign purchasers. It would be useless to lend it to one another. Some people believed that nothing was easier than for rich men to borrow money from their bankers and then lend it to the Government. Obviously that was of no avail unless people took measures to repay the loans to their bankers at least as rapidly as the Government spent the money. If they did not take that course the only effect was that they and their bankers between them produced a certain amount of credit and added to the available supply of currency without making any adition to the available supply of goods and service.
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> What was wanted was not artificially-created money, but actually produced goods and services which the Government must have for the war, and for which there could be no substitute. Now, as our production of goods and services had been reduced by the flower of our men going to war and the sending of others on to the making of munitions, the situation could only be met if the rest of the community forgo the use of goods and services to which they have been accustomed; so that the labour and energy used in producing them might be turned to the production of goods and services required for the war. . . .
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> There had been no true appreciation of that as yet.

Those who dispensed luxuries over the counter were doing a roaring trade. The consumption of alcohol had increased, and he was told that the makers of expensive pianos were enjoying a considerably increased demand. There was a tendency to say that whenever taxation was increased they ought, therefore, either to increase profits or remuneration, wages, or whatever it might be.

. . . He thought it absolutely necessary to repeat that the expenditure on the war would have to be borne by the nation almost entirely either in the form of tax or loan. It followed therefore, that, allowing for any loans which could be raised abroad, every citizen ought to be prepared to put at least one-half of his current income at the disposal of the State either in the form of tax or loan.

An answer to the oft-repeated question, "What is inflation?" may be found in the situation above described. In its broad sense inflation means an artificial state of wages, prices and indebtedness which cannot be normally maintained.

The Money Market.

The time has come when the spring demand for money, if there is to be one, should make itself felt, but there are few signs of it yet. Neither commercial paper offerings nor the demands of customers show any notable increase, and interest rates are practically unchanged. The surplus reserves of the New York Clearing House banks declined from $175,000,000 on January 29, which was the high point since last summer, to $127,600,000 on March 25th, but this occurred for the most part in February, the surplus on March 4th being down to $134,700,000. Loans declined from $3,376,500,000 on March 4th to $3,360,532,000 on March 25th, and demand deposits increased from $3,340,000,000 to $3,396,800,000. Since January 29th the net increase in loans has been $81,900,000 and of deposits $28,000,000, while cash reserves have decreased $45,900,000. The loss of surplus reserve, therefore, has been due, in the main, to loss of cash rather than to expansion of liabilities. The direct movements of cash between the banks and their out-of-town correspondents have about balanced, but there have been losses to the Federal Reserve bank and to the Sub-Treasury. The revenues of the government are increasing, and from February 1st to March 27th the net debits of the Clearing House to the Sub-Treasury amounted to $32,911,725.

Under the circumstances there is little significance in the loss of reserve, but it is easy to see that under anything like a general call from the country for money, the condition of apparent plethora would change very quickly. The reports of large reserves throughout the country when analyzed usually mean that there are large balances in New York, which may be drawn upon at will, and it is against these balances that New York holds $127,600,000. The figures for the bank statement of March 7th are not generally available, but on December 31st, the reserves of the national banks of the two Western Central Reserve cities, in cash and in the Federal Reserve banks, were respectively, Chicago 20.37, and St. Louis 19.93. At the same date the average reserve in vault of all the other reserve cities was 7.72, and in the Federal Reserve banks 4.09, and the average reserve of all country banks in vault was 6.68, and in Federal Reserve banks 3.16. So far as figures of the March 7th statement have been received, they show increases in both loans and deposits, and if this goes on, as may be expected with general business keeping up at the present rate, it is probable that more reserve money will be wanted from New York. A very moderate movement of this kind would effect a considerable change in interest rates.

The proceeds of the Anglo-French loan are not entirely exhausted, and no announcement has been made as to the next offering in this market. French one-year notes to the amount of about $30,000,000, placed here last year, are due April 1st, and will be paid. This is the second lot of French notes issued and paid off in this market during the war, the first lot being for $10,000,000. The sale of American securities by British and French owners for private account has been proceeding, and of course where these are replaced with their own government obligations, the credits thus created are available for the government payments here.

Individuals who are interested in higher prices for stocks and bonds would prefer to have the British Treasury meet its needs here by borrowing on the securities it has been acquiring, but it is evident that the general financial situation in this country will be best served by having them sold outright, as fast as it can be done without disturbing the market. A loan will go into comparatively few hands, and probably remain in the banks where it will encumber the situation. The credits created by loans will enlarge the volume of deposits and require more reserve money, while if the securities are bought by investors and paid for out of deposits no additional liabilities are created. Even if investors borrow for the purpose of making the purchase, there is advantage in having them committed to the absorption of the securities.

It is more than likely that a temporary loan will be necessary to the judicious handling of the government-owned securities, and of course the securities loaned to the government are intended to be utilized in this manner. Negotiations have been pending for some time over a Russian loan, and a French loan is also under discussion. With the trade balance in favor of this country which has been rolled up in the first quarter of 1916, it looks as though our foreign loans would have to be greater this year than last if the trade is to be maintained. To the extent that they can be taken up wih the accruing profits of the year, they will be no burden, but they loom up large in any consideration of the future of the money market.

Bond and Stock Market for March.

The most prominent feature of the bond market in March was the successful offering of $75,000,000 Government of the Dominion of Canada 5% Gold Bonds. One-third of the issue is to be used for refunding purposes. The bonds were offered in 5, 10 and 15-year maturities of $25,000,000 each, yielding from 5.10% to 5.50%. Supported by large crops sold at high prices, and by profits from war business, the credit of the Canadian Government is very well maintained. The

shifting of the visible balance of trade in favor of Canada has more than offset the interest on the loans issued to take care of the Dominion's part in the European War.

During the month a syndicate was formed to underwrite an offering of $40,180,000 Chesapeake & Ohio Railway 30-year 5% Convertible Gold Bonds, which will be secured by $45,920,000 First Lien and Improvement 5% Bonds. The new Convertible Bonds are to be offered pro rata to stockholders at 97½. They are now selling "when issued" at a premium of about one-half of a point. The proceeds will be used to redeem at 101 and interest, on June 1, 1916, the $33,000,000 5% notes due June 1, 1919, and leave about $5,000,000 for other corporate purposes. The provision in the note indenture requiring the expenditure of $17,000,000 for permanent improvements before the payment of dividends upon the Company's stock, is to be continued in large part. This policy has been largely responsible for putting the Chesapeake & Ohio in a position to handle economically the heavy traffic of the last year, which has resulted in a decided increase in earnings. The ability of the Company to refund the large short-term note issue by long-term bonds, which may eventually be exchanged for a stock obligation, will also materially improve the financial structure of the Company.

A syndicate of New York bankers recently brought out $7,000,000 Atlanta & Charlotte Air Line Railway (a subsidiary of the Southern Railway Company) First Mortgage 5% Bonds, Series "B," due July 1, 1944, at 103 to yield 4.80%. The mortgage covers that part of the Southern Railway's main line extending from Charlotte, N. C., to Atlanta, Ga., a distance of 263 miles and is for double-tracking and other improvements.

Argentine Government one-year non-interest-bearing notes to the amount of $15,000,000 were sold during the month to New York interests. The notes have been offered on a discount basis of 5%. The total amount of all Argentine government loans placed with American bankers since the war broke out is $79,340,262.

Daily bond sales for the month to March 27th on the New York Stock Exchange, averaged $2,888,000 compared with $3,711,000 in February.

Anglo-French 5's have been by far the most active issue dealt in. The total sales of these bonds alone amounted to $15,902,000 up to the 27th inst., or about 24% of the total sales. The bonds have not only been extremely active, but have advanced in price to around 95¼, compared with a low of 93½. The strength of this issue well represents the strong demand for, and the scarcity of, high-grade short-term bonds. On account of the strength of the bond market during the past year, many of our railroad companies have been able to refund their early maturities, causing a decrease in the supply of short-term notes.

Exchange Rates.

The table given below shows approximately the state of the exchanges as related to the United States at this time. It will be seen that funds in Spain, Holland and the Scandinavian countries are commanding a considerable premium in New York, due in part to the risks and cost of transporting gold, and in part to the restrictions of the British blockade. Gold would be going from New York to Holland, Norway, Sweden and Denmark but for the delay and uncertainty occasioned by the blockade. The discount on sterling is practically equal to the cost of shipping gold from London to New York. The discount on Paris, Berlin and Petrograd checks is mainly due to the fact that gold is not permitted to leave those countries.

	Actual rates of exchange. 3/25/16	Normal.	Discount.	Premium.
London demand	4.76⅜	4.8665	2.11%	....
Paris checks	5.97½	5.18⅓	15.32%	....
Berlin checks	71¼	95¼	24.69%	....
Russian checks	31.60	51½	38.64%	....
Italy checks	6.69½	5.18⅛	29.21%	....
Spain checks	19.15	18	....	6.40%
Denmark checks	28.75	26.80	....	7.27%
Sweden checks	28.85	26.80	....	7.65%
Norway checks	28.85	26.80	....	7.65%
Holland checks	42.50	40.20	....	5.72%
Brazil checks	22.88	32.50	30.62%	....
Argentine checks	42.53	42.45	....	0.02%
Vienna checks	12.40	20.30	38.91%	....

	Actual rates of exchange. 3/25/16	Normal.		Discount.	Premium.
Hongkong	49½	There are no normal rates for Hongkong & Shanghai as they are based on silver.		....	....
Shanghai	67½			....	....
Bombay	32¼	33	When Sterling is at 4.86	0.08%	....
Calcutta	32¼	33		0.08%	....
Japan	50⅜	49⅝		....	1.51%
Manila	49¾	49¾		....	....

United States Bonds.

The market for United States 2% bonds was very strong during the past month, as a result, mainly, of purchases by the Federal Reserve banks at par. In addition there was considerable buying for tax and circulation purposes throughout the country, quite a few changing hands above par and interest. This was the highest price prevailing for these bonds since they went below par in May, 1913. The Federal Reserve Banks held, on December 30, 1915, $15,797,000 of all government bonds; on January 28, 1916, $21,372,000, and on March 24, $40,152,000.

As the floating supply of bonds was practically exhausted, prices for the other outstanding Government issues also advanced. The 3's of 1918 sold as high as 102¾ and interest (about a two per cent. basis), the Panama 3's of 1961 at 104 and interest, and the registered 4's of 1925 at 111½ and interest. Sales of the coupon 4's of 1925 were made at as high as 112¼ and interest, which is the highest at which they have sold for several years.

The government issues were all affected unfavorably by the falling off of revenues which followed the panic of 1907, the withdrawal of Treasury deposits from national banks having thrown many bonds on the market. Uncertainty about the future status of the two per cents. while the currency legislation was pending also effected these unfavorably and they sold as low as 94½.

In offering to purchase two per cents. at par from their member banks, the Federal Reserve banks

have been anticipating the provision of law which authorizes the Federal Reserve Board to require them to make purchases aggregating not over $25,000,000 per year. In making the apportionment the Board must take into account the bonds they have already purchased during the current year. The reserve banks have been giving the member banks of their own districts the first chance of sale, and it is probable that all of the $25,000,000 will be purchased in this way instead of through offers to the Treasury.

The reserve banks have been notified by the Secretary of the Treasury, that upon application by them he will receive the two per cents, up to the statutory limit of $25,000,000, and give in exchange one-half the amount in three per cent. thirty-year bonds without the circulation privilege, and one-half in one-year Treasury notes bearing three per cent. interest. The Treasury has the privilege of renewing the latter annually for thirty years, but presumably will take them up and retire them at the first maturity date when it has funds available for that purpose.

It is not likely that government bonds carrying the circulation privilege will ever again be issued, this country being now definitely committed to the more scientific practice, in vogue everywhere else, of issuing currency against commercial paper and gold. Since the workings of the Federal Reserve law will take $25,000,000 of the two per cents off the market each year, or any less amount that may be offered, it is probable that the demand for twos by national banks for circulation purposes will be sufficient to keep them in the future at about par. Their status is now fixed, and a national bank that can keep its notes in circulation is able to derive a profit of about one per cent. on them at par. There is no apparent reason why a bank which can do this should desire to dispose of its bonds.

National banks organized since the Federal Reserve act went into effect are not required to issue circulation or to deposit government bonds unless they elect to take out circulation.

The reserve banks may either exchange one-half of their recently purchased two per cents for the new threes without the circulation privilege, or keep the twos and issue circulation upon them. The only time when they could use the circulation to advantage would be when their gold-secured circulation was full. Meanwhile, the advantage is in exchanging the twos for threes, particularly as the latter can be sold under present conditions at a premium of perhaps two per cent. Of course the three per cent. one-year notes can also be sold at a premium but it is more likely that the reserve banks will choose to keep them.

Government Finance.

The revival of prosperity is naturally having a favorable effect upon Treasury income. Importations are rapidly increasing, and, although the proportion of free goods is much larger than formerly, the customs receipts are considerably larger than at any time since the outbreak of the war. It is roughly calculated that the income tax, which for individuals and corporations together, yielded $80,211,778 last year, will yield $100,000,000 this year. The ordinary internal revenues are also increasing. The Treasury receipts for the month of February this year and last were as follows:

	February 1916	February 1915
Customs	$19,239,534.99	$14,393,394.53
Ordinary internal revenue	30,951,076.52	24,625,639.42
Income tax	2,006,807.86	503,845.03
Miscellaneous	3,235,394.48	3,738,397.63
	$55,432,813.85	$43,261,276.61

Including public debt transactions and all other receipts and disbursements, there was a net excess of income in February of $5,993,401.60, as against a net excess of disbursements in February, 1915, of $18,070,621.94. In March the net excess of income to the 25th instant was $3,572,335, as against net disbursements in the corresponding period of last year of $6,382,294.

From July 1st to March 25th of this fiscal year there was a net deficit of $37,399,229 as against a net deficit in the corresponding period of 1915 of $100,764, 689. In ordinary revenue and disbursements the showing is not so good, but here the net deficit is $54,970,000 as against $86,455,849 last year.

With this improvement in income the problem of finding new revenues would cease to give trouble if new and large expenditures were not required. The Secretary of the Treasury in his annual report estimated for additional expenditures upon the army and navy in the fiscal year 1917 to the amount of $93,800,000 and upon the Panama Canal $25,000,000. The last item may not be all required, but the expenditures upon the army and navy may be larger than indicated. It is evident that the campaign in Mexico will be a considerable item in itself. The Hay army bill as it passed the House, if it becomes a law, will require an annual expense of about $46,000,000. The Democratic House leader is reported as estimating the cost of the preparedness program at $160,000,000, but since no program is agreed upon there is little basis for calculation.

The present customs duty upon sugar will remain, but, strangely enough there is talk of repealing all of the present stamp taxes.

The line of least resistance is toward higher taxes upon incomes, and particularly upon large individual incomes. No doubt increases will be made, and the application of the normal tax probably will be broadened. Higher taxes upon beer and whisky are under consideration, and a tax on the manufacture of munitions is seriously discussed. The Ways and Means Committee of the House is not ready to report its recommendations.

Paper Money Issues.

Concern is expressed in some quarters over the large increase in the volume of paper money in circulation, as shown by a comparison of the Treasury circulation statements of March 1, 1916, and March 1, 1915. The figures are as follows:

	March 1, 1916	March 1, 1915
Gold certificates	$1,325,475,659	$945,416,959
Silver certificates	482,021,751	462,825,701
Treasury notes of 1890	2,146,621	2,305,704
United States notes	340,641,586	324,533,295
Federal Reserve notes	190,592,505	27,214,425
Federal Reserve bank notes	2,999,970	....
National bank notes	738,300,118	865,702,229
Total	$3,082,178,210	$2,627,998,313

These figures show an increase in all kinds of paper money of $454,179,897, but the increase in gold certificates signifies nothing but an increase of gold, the increase in silver certificates and United States notes signifies nothing but interchanges between the circulation and the Treasury, and the increase of $163,378,080 in Federal Reserve notes is nearly all covered by gold retired from circulation in the hands of Federal Reserve agents. Including national bank notes there has been a decrease in the circulation of credit paper during the past year.

The only item in the statement open to criticism is that of Federal Reserve bank notes. It is difficult to see why these are issued. They are certainly not needed in circulation and they are not a source of profit to the banks in the present state of their reserves. This circulation, however, may replace national bank circulation retired; certainly there can be no considerable increase of it without the retirement of national bank notes. The statement of Federal Reserve banks for March 24, shows that only $1,053,000 of these were outside of the issuing banks at that date.

General Business Situation.

The main characteristics which have been noted of the business situation in recent months are unchanged, except to show signs of greater intensity, as Spring comes on and the period for more active outdoor operations is at hand. There is not enough of materials or labor for all the work that the country would like to have done, and the result, of course, is that the requirements which are most pressing and can afford to outbid the others will be served first, and the others will await their turn.

The effects of full employment and rising wages are seen in the excellent reports upon the retail trade which come from all sections of the country. There is a large distribution of merchandise, and retailers, instead of buying for immediate wants only, are endeavoring to cover their wants for some time to come. This is always the case when the turn has clearly been made, and the effect is to overwhelm jobbers and manufacturers and stimulate prices unduly. The buying power of the country, based upon the money value of the crops and disbursements for wages in all lines of industry, was never so great as at this time, and its effect is to be seen in the enormous traffic that is crowding the railways. President Elliott, of the New York, New Haven & Hartford, at a conference held at the office of the Inter State Commerce Commission in Washington early in March, stated that the volume of business offered to that road was twenty-five per cent. larger than had ever been offered before. The terminals everywhere are congested, and traffic has threatened to get in its own way to such an extent as to seriously cripple the efficiency of the roads. In order to prevent this it was necessary to declare extensive embargoes, refusing to receive freight unless delivery to the point of unloading could be directly made. A situation of this kind rapidly increases in complexity. All storage facilities are soon overwhelmed when the flow of traffic is interrupted, and a threat of interruption excites shippers to unusual precautions which tie up more cars and add to the confusion.

Following the conference at Washington another was held in New York, on March 17th, at which a permanent committee was created consisting of one member of the Inter State Commerce Commission, Mr. E. E. Clark, and six railway presidents. This committee is given general charge of the situation, and is empowered to handle and declare embargoes, and deal with demurrage and storage rules. The resolution under which it was appointed, authorizes it specifically to apply the principle of storage charges for the use of facilities as distinctive from transportation charges, as follows:

"First: the track storage charge.

"Second: the warehouse storage charge.

"Third: the car storage or demurrage charge."

It is evident that at a time when the entire transportation system of the country is in danger of having its efficiency seriously impaired, ordinary rules for the use of cars and warehouses may be quite inadequate, and it is proper that all parties using such facilities shall be made to conform to whatever reasonable rules are necessary to relieve the situation. All of the roads are handling a larger volume of traffic than ever before, and all that they can find cars for. The present volume of trade cannot be more concisely described than it is in this statement.

This volume of business is yielding generally very satisfactory profits. In the first place a business operating to capacity, is normally on its most profitable basis, making its largest output, with the smallest overhead and unproductive expenditure. This is the situation now, and generally speaking the seller is sufficiently independent to take a fair price. The metal-mining and refining industries are enjoying unprecedented conditions, for spot delivery copper has been quoted of late at 28 to 28½ cents, spelter at 18 to 18½ and lead at 7 to 8 cents. Production naturally is to the limit, with miners' wages at $4.50 per day. Silver, which declined from 54 cents per ounce to about 47 in the early months of the war, is now in great demand the world over for subsidiary coinage, and selling at about 60 cents.

Wages, skilled and unskilled, organized and unorganized, are tending upward irresistably under the influence of competing demands from the various industries. No organized compulsion is more effective upon an employer than seeing his force dwindle from day to day as the men

leave for other employment. There is no uncertainty about what must be done to meet a situation of that kind. The conference between operators and miners in the bituminous coal industry, which seems to have been characterized by a most commendable spirit on both sides, came to an agreement upon wage advances generally acceptable as equitable. Farm employment agencies report a scarcity of help. The Department of Agriculture at Washington reports that in the last five years wages have increased ten per cent., and in the last twenty years sixty per cent. Its figures for the last five years do not, however, include the Spring of 1916.

The construction industries, which were prostrate in the early months of the war, are all prosperous again. The steel industry is in a runaway condition, with its output for this year practically sold out. The ship-building plants on the Atlantic and Pacific coasts and on the Great Lakes have their present capacity engaged well through 1917, and enlargements are under way and new companies being organized. Permits issued for new buildings in the leading cities make a good showing compared with the period before the war, although the rising prices for materials cause work to be held up. The lumber producers in the south and the northwest are doing well and expecting one of the best years they have known.

The situation is not free from unpleasant features. The railway situation is hampering many industries, and the scarcity of materials and sudden changes of price are becoming serious to some operations in which the price of goods or services to the public cannot be readily changed. The high price of steel is embarrassing industries whose wants have not been covered by contracts.

When prices must be raised to consumers on staple goods, consumption will be curtailed where it can be. This will mean that we are doing without what we want in order that more imperative orders may be filled, and to a moderate extent that may be just as well, if the orders are merely backed up to come in later when we need them more.

The Iron and Steel Industry.

The iron and steel industry is in another one of its great periods of activity and expansion. The record for the production of pig iron is about 30,000,000 tons in a year, but it is running now at a rate approximately 33 1/3 per cent. above that. The capacity in all branches is being enlarged by old companies increasing their capacity and new companies being formed. The Bethlehem and Midvale organizations, with their recent acquisitions and contemplated construction, will be large and highly efficient producers, aggressive for business at home and abroad and supplied with ample capital. The United States Steel Corporation is planning to spend about $100,000,000 upon new construction and improvements, some $25,000,000 of which will be upon a new tube plant at Gary, to supply the Western trade, and as much more will be spent upon by-product coke ovens. The latter is purely an improvement in methods. The remainder of the appropriation will be for numerous additions and improvements, for diversifying products, balancing up the works and effecting economies. The Inland Steel Company, an important independent company, located between Gary and Chicago, is making extensive additions, and the same is true of the Republic Iron and Steel and other large producers in the Youngstown district and in the South. More than a dozen entirely new companies of moderate size, but large enough to be factors in some line of product, have been recently organized. It is not likely that the Steel Corporation with its $100,000,000 additions will make a larger proportion of the iron and steel product than it does now. The industry is getting into position, both in capacity and in economical methods, to be a stronger factor than ever in the world's supply of equipment and machinery.

Foreign Trade.

December, 1915, broke all records for exports from the United States, the figures being $359,306,492, and January, 1916, was next, with $330,784,847. Our imports are now running far ahead of this time last year, and for January, the latest month for which they are available, were larger than in any previous month of the country's history. This is due almost wholly to an increase in materials used in our manufactures, and to an enlarged trade with countries outside of Europe. Imports of manufactures in January, 1916, were actually less than in January, 1915. The following tables show the imports and exports by great groups and by grand geographical divisions for the month of January and for the seven months of this fiscal year ending with January:

GROUPS	Month of January 1916 Dollars	Month of January 1915 Dollars	7 months ended January 1916 Dollars	7 months ended January 1915 Dollars
IMPORTS				
Crude materials for use in mfg. ..	89,060,103	38,029,061	460,679,854	288,902,326
Foodstuffs in crude condition and food animals .	20,357,649	17,269,671	150,755,955	128,550,445
Foodstuffs partly or wholly mfd.	20,472,052	15,835,656	133,912,797	141,000,916
Manufactures for further use in manufacturing	29,510,186	20,429,204	173,262,431	141,149,689
Manufactures ready for consumption	23,227,981	29,031,112	169,978,225	220,027,123
Miscellaneous ..	1,734,146	1,553,613	8,559,729	10,877,737
Total imports ..	184,362,117	122,148,317	1,097,148,991	930,508,236
EXPORTS				
Crude materials for use in mfg....	43,970,466	68,622,400	286,424,272	253,509,995
Foodstuffs in crude condition and food animals .	29,494,908	49,788,768	187,290,741	272,833,628
Foodstuffs partly or wholly mfd.	51,079,095	41,153,468	343,241,898	216,000,708
Manufactures for further use in manufacturing.	48,807,758	30,130,946	316,619,220	180,125,754
Manufactures ready for consumption	146,135,347	64,038,743	944,671,795	355,869,581
Miscellaneous ..	6,986,661	9,901,867	67,763,614	28,637,644
Total domestic exports	326,474,235	263,636,192	2,146,011,540	1,306,977,310
Foreign merchandise exported .	4,310,612	4,243,121	36,804,627	27,682,838
Total exports....	330,784,847	267,879,313	2,182,816,167	1,334,660,148

The increase, in the exports for the seven months ending January, 1916, in the item Miscellaneous, to a total of $67,763,614 arises from the exportation of horses in those months to the value of $51,183,-672; of mules to the value of $14,116,237; and of seeds valued at $2,273,995.

Imports from Grand Divisions:	Month of January 1916 Dollars	Month of January 1915 Dollars	7 months ended January 1916 Dollars	7 months ended January 1915 Dollars
Europe	47,996,758	47,918,855	319,680,384	387,604,559
No. America ..	40,405,644	27,803,261	288,852,463	239,871,595
So. America ..	40,940,195	23,569,855	207,179,653	129,016,687
Asia	32,616,649	18,396,096	210,917,260	138,942,802
Oceania	12,254,458	2,118,810	43,641,018	25,686,763
Africa	10,148,413	2,341,440	26,878,213	9,385,830
Total	184,362,117	122,148,317	1,097,148,991	930,508,236

Exports to: Grand Divisions:	Month of January 1916 Dollars	Month of January 1915 Dollars	7 months ended January 1916 Dollars	7 months ended January 1915 Dollars
Europe	229,463,186	211,826,765	1,520,555,253	901,766,858
No. Amer ca ..	58,921,924	30,215,295	382,341,016	271,915,765
So. America ..	13,842,584	6,989,339	97,396,826	45,739,857
Asia	18,987,391	10,394,496	101,572,915	57,744,480
Oceania	6,477,094	5,495,344	56,857,772	42,160,980
Africa	3,092,668	2,958,074	24,092,385	15,332,208
Total	330,784,847	267,879,313	2,182,816,167	1,334,660,148

The rise of prices, scarcity of materials, difficulties and high cost of ocean transportation, and recovery of the home market, are together seriously interfering with our promising export trade in new markets. Many manufacturers who were eager for foreign orders a year ago now find themselves unable to take care of even the domestic business offered, and naturally feel that they must give their first attention to patrons of long standing. The rise of prices is not fully understood by new customers, who are inclined to think that dealers and manufacturers in the United States are taking advantage of their situation. Of course the situation is world-wide, beyond any possible control, and affecting domestic purchases as much as those for foreign delivery. Manufacturers and dealers are generally showing all possible consideration to people who have been accustomed to look to them for supplies, and in many instances orders from abroad are being filled without profit or at a loss, rather than have misunderstanding.

It is of little avail to say that the United States is not making the most of its opportunity in foreign trade. Of course it is not doing all that might be done if the country was put in the hands of an Executive Committee with full powers to manage its affairs as though it was a single business corporation. The needs of the world, and our corresponding opportunities, are so great at this time that in surveying them the observer is almost persuaded that the people of the United States should be put on siege rations, with bread cards, meat cards and milk tickets, and compelled to economize and save, to offset the waste which is going on elsewhere and to make this country headquarters for world trade and finance. But that is an imaginary efficiency, worth thinking of only as it may influence the action of individuals. The consumptive requirements of the United States grow so fast that in each new period of general prosperity they overrun all anticipations. When the pressure upon our productive capacity comes, as we have it now, we proceed to enlarge it, as we are doing now, and this construction work increases the congestion for the time being. We can only build up a permanent foreign trade as we plan to care for it regularly, and although the present affords an unusual opportunity to obtain an introduction into new markets, the very conditions which create the opportunity also create great difficulties in the way of a rapid development of new trade. The trade of the world cannot be shifted or reorganized over night; too, many relationships are affected and too many readjustments are required. For one thing it is certain that there can be no great expansion of industry in the United States, and no extensive shift of trade from Europe to the United States, without a revival of immigration. If Europe loses trade the people who have been employed upon it will certainly want to follow the trade, and they will be needed where the trade is taken on, but there is a popular feeling in the United States that this country no longer needs or wants immigration. People who think we can increase our foreign trade, or even hold what we have of it, without a growing supply of labor, are as obtuse as the British public which thinks that higher wages will enable it to have as many goods as formerly, although the goods cannot be made.

British Banks and Foreign Trade.

In the discussion which is going on in England over the position which that country will occupy in foreign trade after the war, considerable has been said, critically, of what is called the lack of enterprise on the part of British banks in supporting trade and enterprise, particularly abroad. At a recent meeting of the Association of Chambers of Commerce of the United Kingdom these criticisms were voiced, speakers alleging that the banks had drifted into stagnant methods, possessed monopoly, and that greater elasticity should be given to banking facilities.

Such criticisms are familiar in every country. There is no degree of liberality in management which will satisfy all of the people who would like to have banking accommodations, and many people fail to consider that a bank's first obligation is to its depositors, and that all its policies are necessarily subject to this obligation to keep in position at all times to meet their requirements. At the meeting referred to, Sir Edward Holden, of the London City and Midland Bank replied to the critics, and is reported in part as follows:

> What was banking? It was borrowing with the right and lending with the left. They had to remember that almost every penny that the bankers borrowed in this country was repayable on demand. That was where the great difficulty came in. If the bankers could borrow the money at six months and twelve months, then they could afford to make longer fixtures. Every banker who knew his business would take his deposits as a whole and would consider how much he could with safety lend to the industries of the country, knowing that he must not go and lend to one of his customers and call the money back tomorrow. That would be no good for their industries at all.

Sir Edward Holden went on, however, to suggest the formation of a large credit corporation, in which other banks and trading companies might take stock, which would give special attention to the promotion of foreign trade and investments. He seems to have had in mind the Federal Reserve System

of the United States and the American International Corporation as illustrating the kind of an organization and the kind of service desired. His remarks were apparently convincing to his hearers and have occasioned much comment in British journals.

Petroleum and Gasoline.

The situation in the petroleum industry is as extraordinary as in any other, but the reasons in this case are related to the domestic supply and demand rather than to the foreign situation. Indeed there was a decline of 4,000,000 gallons in exports of gasoline in the year. A rapid increase in the consumption of gasoline and a falling off in the production of oil of high gasoline content is the explanation. The Secretary of the Interior in response to a resolution of the Senate has discussed the situation in detail, but the essential facts are that the gasoline requirements of the United States increased during the last year by about 25 per cent. over those of 1914. The production of crude petroleum, on the other hand, showed practically no increase last year, being 291,400,000 barrels, as against 290,312,000 barrels in 1914. And this is not the whole story, for the Cushing pool in Oklahoma which produces oil with a higher gasoline content than any other field, declined from more than 300,000 barrels per day in April, 1915, to less than 100,000 barrels per day in January, 1916. As the Cushing crude yielded about 30 per cent. gasoline the diminished output of crude in that field represented a loss of 60,000 barrels of gasoline per day between April and January. Although the loss of crude was made up in other fields the loss in gasoline was not, owing to the smaller yield of the other oils.

Secretary Lane's report does not give much encouragement to expect the supply of gasoline to keep pace with the demand in the future. He has summed up the situation as follows: 1. "The consumption of gasoline is rapidly increasing. 2. The production of crude has been generally regarded as near its maximum."

His report shows that for a number of years the production of crude oil has not kept pace with the demand for gasoline, but the supply of the latter has been kept up by increased extraction.

In 1909 the volume of crude produced was more than fourteen times as great as that of gasoline. In 1915 the ratio of crude over gasoline production was only 6½ to 1. In considering these figures (the years given are the only ones for which Secretary Lane finds gasoline figures available), it is interesting to note the growth in the automobile industry at the same time.

Gasoline Production	Crude Petroleum	Licensed Automobiles
1899.. 6,680,000 Bbls.	1899.. 60,000,000 Bbls.	1899.. 10,000 Cars
1904.. 6,920,000 Bbls.	1904..117,100,000 Bbls.	1905.. 85,000 Cars
1909..12,900,000 Bbls.	1909..183,200,000 Bbls.	1910.. 400,000 Cars
1914..34,915,000 Bbls.	1914..265,800,000 Bbls.	1914..1,253,875 Cars
1915..41,600,000 Bbls.	1915..267,400,000 Bbls.	1915..1,754,570 Cars
		1916..2,225,000 Cars

The number of automobiles given is for the first of each year.

In addition to the enormous growth of the demand for gasoline for automobiles thus indicated, Secretary Lane calls attention to other noteworthy channels of consumption: "On July 1st, 1915, there were approximately 300,000 motor boats in the United States; on January 1st, 1915, there were approximately 45,000 motor trucks in the United States; on January 1st, 1916, there were approximately 30,000 farm tractors in the United States."

Secretary Lane bases his verdict, that "production of crudes has been generally regarded as near its maximum," on his estimate of the percentage of exhaustion of the principal oil fields.

The Lima-Indiana field, he finds, is 93 per cent. exhausted; the Appalachian, 74 per cent.; the Gulf Coast and Colorado, 79 per cent. each; the Illinois, 60 per cent.; the Mid-Continent (Kansas and Oklahoma), 50 per cent.; Northwest Louisiana, 47 per cent.; North Texas, 40 per cent.; California, 34 per cent.

Of these three fields which still have more than 50 per cent. of their petroleum supply untouched, California, with a production of 89,500,000 barrels in 1915, is far the most important, (North Texas and Northwest Louisiana did not produce one-third of this amount), and the average gasoline content of California crude is given as only 2½ per cent.

Efforts to Increase Production.

The high prices now ruling for gasoline and crude oil have naturally stimulated great activity in every known field, but the results as yet are not very satisfactory.

In January and February of last year, 1,862 wells were in operation, and 2,869 were being drilled, and the new production derived from this work totaled 298,351 barrels. In January and February of this year, 3,341 wells were in operation, and 4,489 were being drilled, but they only showed a new production of 272,342 barrels. The average daily production from all fields in January and February, 1916, was about 800,000 barrels per day, as compared with 860,000 barrels per day in the same months of 1915.

Immediate relief would be given by an improvement upon the carburator that would make practicable the use of kerosene as a fuel for automobiles. Ordinary crude oil furnishes at least two, and often three, gallons of kerosene to every gallon of gasoline.

There is hope also from improvement in methods of refining, by which an increased extraction of gasoline may be accomplished. The last report of the Bureau of Mines has the following to say of what has been accomplished by the so-called "cracking" process:

CRACKING PROCESS FOR THE PRODUCTION OF GASOLINE.

"A large number of processes have been patented for the production of increased quantities of gasoline or motor spirits from the heavier hydrocarbon mixtures by destructive distillation.

"Of all these processes only one so far as known is in extensive use in the industry, this being the well-known Burton process, which is owned and controlled by the Standard Oil Co. of Indiana, and has been rather generally employed by the various Standard Oil Companies at different periods. The fact that the Standard Oil marketing companies have put in large and expensive installations involving the use of this process is the best possible indication of the need of efficient cracking processes in the in-

dustry. * * * There can be no question that the use of this process in the past few years by the Standard Oil companies has contributed greatly to relieve threatened shortages in the supply of gasoline. The process itself has been a real conservation factor so far as American petroleum resources are concerned, and too much credit can not be given to the inventor as well as to the companies whose faith and energy have made its successful development possible."

In addition to this Burton process, the Rittman process, the patents of which are owned by the government has come into prominence. In both cases, crude oil or distillates of crude lower than gasoline, are cracked under heavy pressure, with the result that double or even three times the amount of gasoline formerly obtained is extracted from the same amount of crude.

Undoubtedly higher prices will have to rule until new supplies are obtainable from some source, substitutes are developed, or consumption is adjusted to the reduced supply. In the past discoveries of new oil fields have always resulted from high prices, and the present demand offers a great reward to the inventor who can meet the situation.

Federal Reserve System.

LIQUIDATION OF THE MEMBER BANKS.

The Federal Reserve Council has handed down an opinion to the effect, that a vote of more than two-thirds of the stockholders of a national bank ratifying a sale of its assets to another corporation, does not constitute a vote to go into liquidation, as required by the revised statutes of the United States. A Federal Reserve Bank cannot cancel the shares of stock held by a member bank under these circumstances, nor can it make a refund of the amount of its cash paid subscription for such stock.

Proposed Federal Reserve Legislation.

During the month, a number of bills which affect the Federal Reserve law were introduced. Among these are Senator Owen's and Representative Glass's bills in which are incorporated the recommendations of the Federal Reserve Board. These two bills are, in the main, identical. There is, however, a slight difference in some of the details.

The proposed measures enlarge the scope of a Federal Reserve Bank in dealing with member banks, and in dealings with each other, with reference to receipt of deposits, and making collections.

In the item under "Acceptances" the waiver of demand notice and protest by member banks is stricken from the requirement, and the privilege of making bank acceptances is extended to include domestic acceptances, and this item is further clarified and extended.

A provision is included for making a fifteen-day advance by Federal Reserve Banks to member banks on their collaterally secured note.

NOTE ISSUES.

The conditions of note issue are modified, 1st, to allow drafts and acceptances, as well as promissory notes, to be made eligible for deposit with reserve

STATEMENT OF RESOURCES AND LIABILITIES OF EACH OF THE TWELVE FEDERAL RESERVE BANKS AT THE CLOSE OF BUSINESS MARCH 24, 1916.

(In Thousands of Dollars)

RESOURCES	Boston	N. Y.	Phila.	Clev'd	Rich'd	Atlanta	Chicago	St. Louis	M'npl's	Kas.City	Dallas	S.Fr'sco	Total
Gold coin and certif's. Settlement fund. Cr. Balances	10.844	162.239	6,210	11,538	4,754	5,708	36.431	5,077	3.589	4,718	4,037	5,721	260.866
Gold Settlement Fund.....	3,443	10,587	6.440	9,975	12,012	5,177	6,519	2,647	4,598	3,878	10,036	4,368	79,680
Gold Redemption Fund ..	5	250	50	37	338	338	200	54	30	74	192	10	1 578
Total gold reserves..	14,292	173,076	12,700	21,550	17,104	11,223	43,150	7,778	8,217	8,670	14,265	10,099	342,124
Legal tender notes, Silver certif's and Sub. coin....	53	3 382	3.281	1,158	128	283	1,735	716	474	159	845	9	12.223
Total Reserves......	14.345	176,458	15.981	22.708	17.232	11.506	44.885	8,494	8,691	8,829	15,110	10,108	354,347
Bills discounted, Members Commercial paper	98	307	279	323	6,262	3,953	1.598	650	776	2,010	4,536	514	21.306
Bill bought in open market	12.236	14.725	5.141	1,025	66	573	2.165	843	675	687		1,108	39.244
Total...........	12,334	15 032	5.420	1,348	6,328	4 526	3,763	1,493	1,451	2,697	4.536	1,622	60.550 c)
Investment U. S. Bonds...	983	3,152	4,206	4,224	1,676	1,370	6,677	3,339	2,214	7,978	1,295	3.035	40,152
Municipal Warrants.......	2,833	13 378	3,344	3,965	91		3,630	1,241	1,356	999		1.832	32,669
Total Earning Assets	16 153	31,562	12.970	9.537	8.095	5 896	14,070	6,073	5,021	11,674	5,831	6,489	133,371
Federal Reserve Notes, net	1 281	14,139	154	491			1,535	845	1,127			5,277	24,849
Due from other F.R. Banks net..............	2,006		2,507	779	721	751	4,768	2.376	3,054	1,418	360	1,272	12.628(b)
All other resources........	25	395	111	388	118	1,193	332	1.096	127	499	334	185	4.803
TOTAL RESOURCES.....	33,810	222.554	31.723	33.903	26.166	19,346	65.590	18.884	18,020	22,420	21,635	23.331	529,998
LIABILITIES													
Capital Paid in............	5,158	11.122	5,215	5,948	3,345	2,416	6,654	2,788	2,560	3,009	2,751	3,944	54,910
Government Deposits.....	12	9,632	233	794	7,267	7,088	902	1,376	380	804	5,419	1.200	35,088
Reserve Deposits, net.....	28,664	194,416	26,275	27,161	11,365	8,754	58,029	14,720	15,080	16,446	9.719	18,187	428,816
Federal Reserve Notes-net					4,140	983				1,108	3,746		9,977(a)
Federal Reserve Bank Notes in circulation.....										1,053			1,053
Due to other F. R. Banks net..................		7,384											
All other Liabilities.......					49	105							154
TOTAL LIABILITIES	33.810	222.554	31.723	33.903	26.166	19.346	65.590	18.884	18,020	22.420	21,635	23.331	529,998

(a) Total Reserve notes in circulation, 163.834.

(b) After deduction of items in transit between Federal Reserve Banks, 12,628, the Gold Reserve against Net Liabilities is 74.2% and the cash reserve is 76.8%. Cash Reserve against liabilities after setting aside 40% Gold Reserve against net amount of Federal Reserve Notes in circulation, 77.6%.

(c) Maturities of bills discounted and loans: within 10 days, 7,855; to 30 days, 10,926; to 60 days, 21,106; other maturities, 20,663; Total: 60.550.

agents for circulating notes; and, 2nd, to permit the reserve banks to deposit gold "as collateral" with the reserve agent for notes, such gold to be included with that in bank's own possession in calculating the 40 per cent. reserve.

The provision as to drafts and acceptances is certainly unobjectionable, as they are the highest type of commercial paper. The provisions liberalizing the methods of note issue simply overcome the difficulty created by the complicated partnership arrangement between the banks and the government. If the banks issued their own notes, as all other central banks do, they would give their notes in exchange for gold and include the gold in their legal reserve, as a matter of course. All the issue banks of Europe do so. The very essence and virtue of the reserve system is in its ability to protect the banking situation by means of its ability to grant credit and issue notes. That this power is theoretically subject to abuse is a fact incidental to the possession of the power to give protection. We are bound to assume that under the supervision of the reserve board and the constant scrutiny of the financial world the power will be held in reserve under ordinary conditions and used only when needed for protection. There is evidently no inflation in the giving of notes in exchange for gold; inflation can only come by the granting of credit. The accumulation of gold in the reserve banks will give them larger available resources in an emergency.

REAL ESTATE LOANS BY BANKS OUTSIDE OF CENTRAL CITIES.

The provision regarding real estate loans is altered so that banks may loan an amount equal to 50% of the value for five years on farm land, for one year on other real estate, confining the loans to property located within a radius of one hundred miles of the lending bank, irrespective of the reserve district boundaries, loans not to exceed 25% of the capital and surplus or one-third of the time deposits of the lending bank.

FOREIGN BRANCH BANKS.

The section with reference to foreign branch banks permits specially organized corporations to do a banking business in foreign countries. The details as to citizenship of directors, forfeiture of charter, location of branches and stockholders, are fully set forth in the proposed legislation. One of the interesting features is that directors are exempted from the interlocking directorate prohibitions contained in the Clayton Act. The stockholders need not be limited to individuals, but banks may be stockholders in these foreign branches to the extent of 10% of their paid-in capital and surplus. Member banks may act as agents of the foreign banks in dealing with the Federal Reserve Banks, and these banks shall make reports and be subject to the examination by the Federal Reserve Board. Banks with more than $1,000,000 capital are permitted to hold stock to the extent of not more than 10% of their capital or surplus in foreign or domestic corporations authorized to do banking business abroad.

The bill further provides that national banks, in places of one hundred thousand inhabitants and over with at least $1,000,000 capital and surplus may upon authority of the Federal Reserve Board establish branches within the city, town or village in which they are located. Banks in other places may establish branches within their home county limits, provided that no such branch shall be established unless the capital of the parent bank is at least equal to the aggregate of the amounts which would be required of each branch if it were organized as an independent bank.

Discount Rates.

Discount rates of each Federal Reserve Bank in effect March 28, 1916.

	MATURITIES				Agricultural and live-stock paper over 90 days.	Trade acceptances.		Commodity paper. B
	10 days and less.	over 10 days to 30 days, inclusive.	over 30 to 60 days, inclusive.	over 60 to 90 days, inclusive.		To 60 days, inclusive.	Over 60 to 90 days inclusive.	
Boston	3	3½	4	4	5	3	3	A 3½
New York	3	4	4	4	5	3½	3½	....
Philadelphia	3	4	4	4	4½	3	3	A 3
Cleveland	3½	4	4	4½	5	3½	4	....
Richmond	......	4	4	4	5	3½	4	A 3
Atlanta	......	4	4	4	5	3½	3½	3
Atlanta New Orleans br	......	....	....	....	......	C3¾-4	C3¾-4	....
Chicago	3½	4	4	4½	5	......	......	....
St. Louis	3	4	4	4	5	D 3	D 3½	3
Minneapolis	......	4	4	4½	5	3½	3½	3
Kansas City	3½	4	4	4	5	3½	3½	3
Dallas	......	4	4	4	4½	3½	3½	3
SanFrancisco	3	3½	4	4½	5½	3	3½	E

A Rate for commodity paper maturing within 90 days.

B Rate for bills of exchange in open market operations; Atlanta 3½—5½; paper bought, Dallas 3 – 5.

C Rate for trade acceptances bought in open market, without member bank indorsement.

D A rate of 2 to 4 per cent for bills with or without member bank indorsement was authorized on Dec. 21, 1915.

E Rate for commodity paper maturing within 30 days, 3½ per cent; over 30 to 60 days, 4 per cent; over 60 to 90 days, 4½ per cent; over 90 days, 5 per cent.

THE NATIONAL CITY BANK OF NEW YORK.